



September 23, 2020

The Honorable Marvin L. Abney  
Chairperson, House Committee on Finance  
Rhode Island State House, Room 35  
Providence, RI 02903

RE: H. 7171, Article 8, Amendment 14 – Relating to Taxes

Dear Chairman Abney,

The undersigned members of the Rhode Island Business Coalition would like to express opposition to the proposed amendment relating to taxes included in Article 8 of H.7171, the Governor's Proposed FY 2021 Budget.

Governor Raimondo, the Administration and the leadership team in the General Assembly have gone out of their way to support small businesses and we cannot understand how they would support this proposal to increase taxes on small businesses. Although we recognize the budget challenges the state is facing, this legislation would prove exceptionally burdensome to Rhode Island businesses at a time when they need relief more than ever. Spreading the tax liability out over 5 years only makes it a longer drawn out burden, with the same cost to the State.

This year, due to COVID-19, Congress retroactively reversed the limitation for years 2018-2020. The allowance of the losses was to help businesses through turbulent times and generate cash for businesses. Most businesses impacted by the limitation have already amended their 2018 and 2019 returns and received much needed cash to assist their business. We are united in our belief that retroactive provisions increasing a tax liability is never good tax policy (the provision appears to be retroactive by disallowing deductions taken in 2018 and 2019). Worse, it is an administrative burden to small businesses to have to amend tax returns for retroactive provisions. If this proposal passes, the taxpayer would be required to file another 2018 Rhode Island amended tax return *and* 2019 Rhode Island amended tax return.

If this legislation is passed after 10/15/20, small business taxpayers would have to file amended 2018 and 2019 tax returns, incurring both additional professional fees and a tax liability. Federal

RIBC Testimony – H. 7171, Article 8, Amendment 14 – Relating to Taxes

Tax Reform limited the amount of businesses losses the taxpayer was entitled to for years 2018-2025.

Delaying the 20% deduction until 2021 would create an undue hardship for taxpayers in desperate need of cash. From a practical perspective, we cannot comprehend why the state would create a retroactive tax liability for a business that may not even be able to pay (assuming they attempt to comply by filing an amended return).

Only three states have implemented this type of change; each has received major pushback from the business community. Unlike Nebraska, Colorado & North Carolina, who decoupled on this issue from the CARES Act, Rhode Island now has the second highest unemployment rate in the United States. This consideration would be particularly harmful to small businesses and pass through entities.

The Rhode Island Business Coalition respectfully urges the Committee to oppose the Amendment 14, Budget Article 8, Relating to Taxes in the Governor's Proposed FY 2021 Budget.

Sincerely,

American Council of Engineering Companies of Rhode Island (ACEC-RI)

Northeast Retail Lumber Association – Kirk Ives

Rhode Island Association of Realtors – David Salvatore

Rhode Island Manufacturers Association – David M. Chenevert, Executive Director

Rhode Island Small Business Economic Summit – Grafton Willey, Tax and Budget Committee Chairman

Rhode Island Society of Certified Public Accountants – Melissa Travis, President

Rhode Island Staffing Association - Will Roth, President